

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

001

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

5. Lease Serial No.
U-05015

6. If Indian, Allottee or Tribe Name
N/A

7. If Unk or TA Agreement, Name and No.
N/A

8. Lease Name and Well No.
Federal BMG No. 12

9. API Well No.
43-019-31391

10. Field and Pool, or Exploratory
San Arroyo

11. Sec. T., R., M., or Blk. and Survey or Area
NENW Sec. 8, T16 S, R26E
ESE

12. County or Parish
Grand

13. State
UT

1a. Type of Work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

2. Name of Operator
Lone Mountain Production Co.

3a. Address
P. O. Box 80965 Billings, MT 59108

3b. Phone No. (include area code)
406-245-5077

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface 2453' FWL 1190' FNL Sec. 8, T16S, R26E
At proposed prod. zone 700' FEL 1600' FNL Sec. 8, T16S, R26E

14. Distance in miles and direction from nearest town or post office*
25 miles NW of Mack, CO

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any)
1190'

16. No. of Acres in lease
2560 Acres

17. Spacing Unit dedicated to this well
160 Acres

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
2176' from BMG 1

19. Proposed Depth
6215' TVD

20. BLM/BIA Bond No. on file
UT0719

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
7106 GL

22. Approximate date work will start*
Sept. 1, 2002

23. Estimated duration
30 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature

[Signature]

Name (Printed/Typed)

Joe Dyk

Date

6/28/02

Title

Petroleum Engineer

Approved by (Signature)

Title

Name (Printed/Typed)

BRADLEY G. HILL

Date

11-26-02

Office

RECLAMATION SPECIALIST III

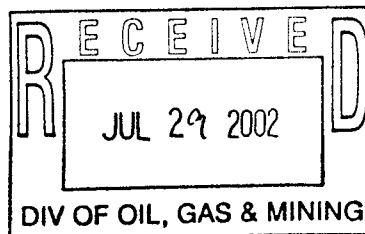
Application approval does not warrant or certify the the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

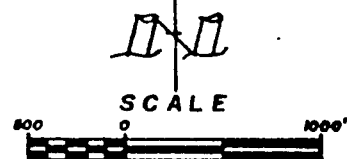
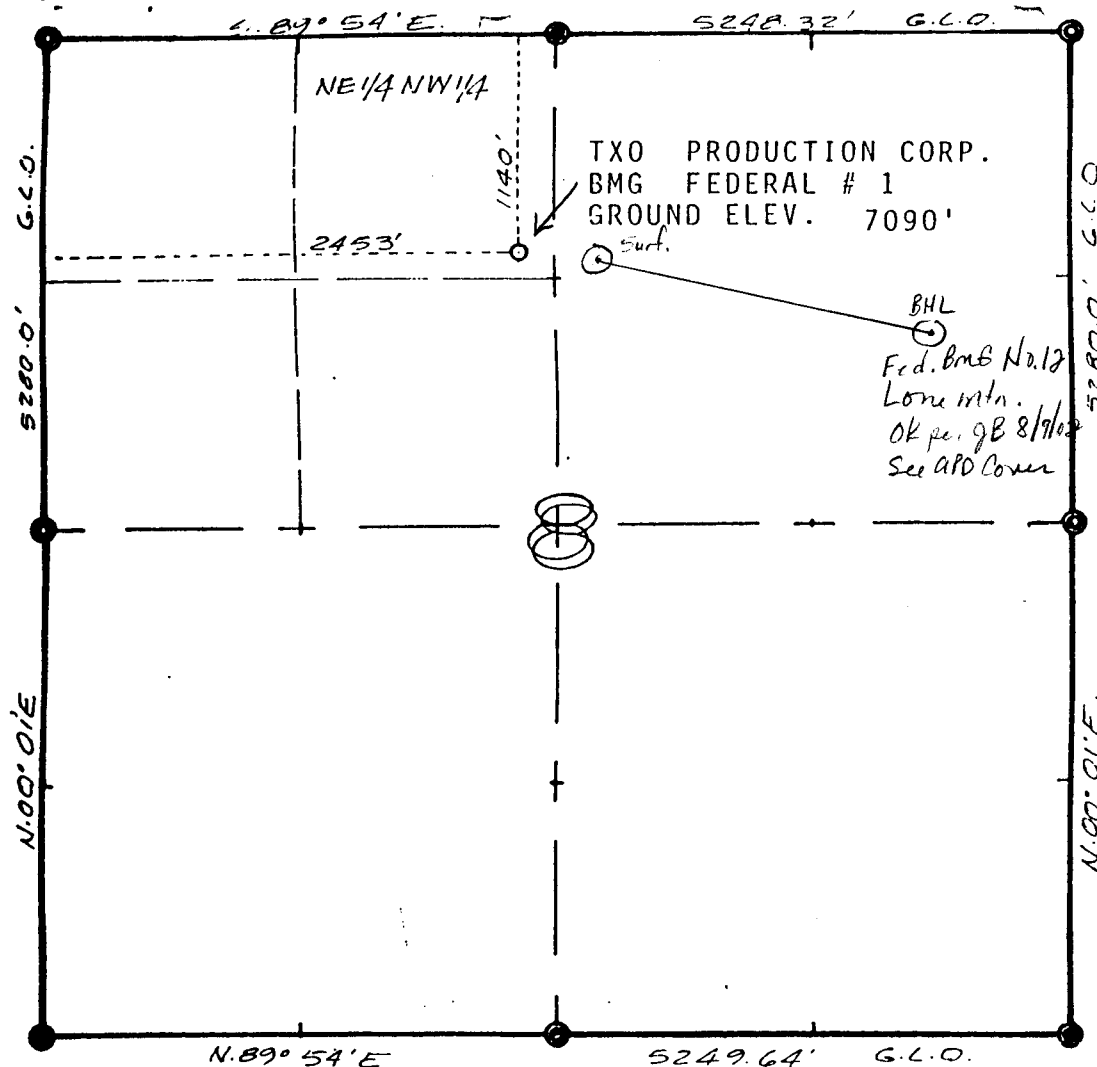
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

T 4346526Y 39.43414
666192X -109.06901

6 4346438Y 39.43323
666832X -109.06160





LEGEND

- STANDARD LOCATION OF G.L.O. CORNERS.
- G.L.O. CORNERS FOUND.
- WELL LOCATION STAKED.

REFERENCE DOCUMENTS.

1926 G.L.O. PLAT

JIM CANYON, UTAH
QUADRANGLE, USGS

BEARINGS ARE BASED ON THE EAST LINE OF SECTION 8

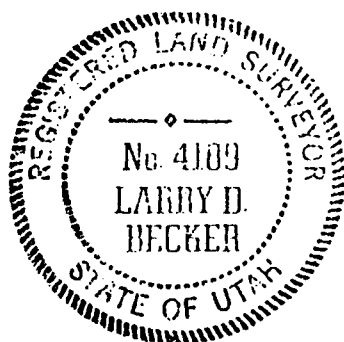
THIS WELL LOCATION PLAT WAS PREPARED FOR TXO PRODUCTION CORP.

AS REQUESTED BY PAUL URBAN

BMG FEDERAL # 1, 1140' F.N.L. & 2453' F.W.L.,

IN THE NE 1/4 NW 1/4, OF SECTION 8, T. 16 S., R. 26 E. OF THE S.L.M.

GRAND COUNTY, UTAH



SURVEYOR'S CERTIFICATE

I, LARRY D. BECKER A REGISTERED LAND SURVEYOR
IN THE STATE OF UTAH DO HEREBY CERTIFY THAT THIS
SURVEY WAS MADE UNDER MY DIRECT SUPERVISION AND
THAT THIS PLAT REPRESENTS SAID SURVEY.

Exhibit 2
Survey Plat

Larry D. Becker
UTAH I.S. NO. 4189

SURVEYED	10-8-82
DRAWN	10-22-82
CHECKED	10-22-82

ENERGY
SURVEYS &
ENGINEERING CORP.

1188 BOOKCLIFF AVE. NO. 4
GRAND JUNCTION, CO. 81501
930 248-7221

SCALE 1" = 1000'

JOB NO.

SHEET 25

SURFACE USE PLAN

Lone Mountain Production Company
BMG Federal No. 12
NENW Sec. 8, T16S-R26E
Grand County, Utah

1. EXISTING ROADS

This proposed well is located 25 miles northwest of Mack, Colorado. Proceed to Baxter Pass Road. At the end of the paved road turn right and go 3.5 miles to Prairie Canyon. Turn left and go 10 miles up Prairie Canyon to Credo Hill. Turn left and go 4.0 miles to BMG No. 1 and BMG No. 12 location.

2. NEW ROADS

No new roads or location size will be necessary.

3. LOCATION OF EXISTING WELLS

There are 5 wells within a one-mile radius. There are 2 dry holes within a one-mile radius.

4. LOCATION OF PRODUCTION FACILITIES

Upon completion of the well as a producing gas well, sufficient facilities to handle gas production will be installed. This includes a heated separator, a meter run and an evaporation pit constructed with an 8' dia. Culvert buried 8' in the ground. A submittal in accordance with Onshore Order #7 will be completed at that time. All facilities will be painted Pinyon Green to blend in with the natural surroundings.

5. LOCATION AND TYPE OF WATER SUPPLY

Water will be hauled from the Ute water tap located in Mack, Colorado.

OK Per J.B.
8/9/02 D.W.

6. SOURCE OF CONSTRUCTION MATERIALS

This well pad already exists as the BMG No. 1 well pad. No construction materials will be used other than native materials. Only upon completion will outside material be brought in if deemed necessary for production operations.

7. METHODS FOR HANDLING WASTE MATERIALS

Cuttings will be buried in the reserve pit at cleanup. Garbage and other waste material will be contained in a trash cage, which will be dumped at an approved sanitary land fill. Human waste will be contained in chemically treated portable toilets.

Drilling fluids will be contained in the reserve pit and left to dry out before reclamation of the pit. Flow back from completion operations will also be contained in the reserve pit. Oil will not be put in the reserve pit.

If the well is productive, produced water will be disposed on site for 30 days or 90 days with the permission of the State Petroleum Engineer. After that time, application will be made for the approval of a permanent disposal method in compliance with the rules and regulations of the State of Utah and Onshore Order No. 7.

8. ANCILLARY FACILITIES

A surface 3" steel pipeline may be legged off into Cottonwood Canyon to Lone Mountain's State No. 16-4 well location. Length of this line would be approximately 5600 feet.

9. WELLSITE LAYOUT

See plat #2 - Pit and pad layout

See plat #3 - Cross sections of pit and pad

This location is already constructed large enough to accommodate the drilling rig and associated equipment with allowance made for future completion and production equipment. The BMG No. 1 well was drilled from this location in 1983. The BMG No. 12 well will be a distance of 50 feet south of the BMG No. 1 well.

No topsoil stripping will be done.

The reserve pit will be fenced on three sides prior to drilling activity and closed off on the fourth side after drilling is finished.

All construction activities will be confined to the minimum area necessary. The exterior boundaries of the construction area will clearly marked prior to any surface disturbing activities or vegetation removal.

10. PLANS FOR RECLAMATION OF THE SURFACE

A biodegradable mulch may be required if soil erosion or vegetation establishment is determined to be a problem by the authorized officer on the access or location reclamation.

All disturbed areas will be seeded with the approved seed mixture. Seed tags will be submitted to the area manager within 30 days of seeding.

Seed bed will be prepared by contour cultivating 4 - 6" deep and drilling seed ½ to 1" deep following the contour. In areas that cannot be drilled, seed will be broadcast at 1.5 times the application rate and then dragged for cover.

Seeding will be completed after September 15, 2002 and prior to October 31, 2002, if feasible, but no later than the fall of 2003.

If the well is a producer:

Lone Mountain will upgrade and maintain access roads as necessary to prevent soil erosion and accommodate year round traffic. Areas unnecessary to production operations will be reshaped, cultivated on the contour, and seeded with the approved seed mixture with a drill ½ to 1" deep. Areas where seed cannot be drilled will be broadcast seeded at 1.5 times the approved application rate and dragged for seed cover. The topsoil will be saved for use during final reclamation unless the site can be re-contoured to blend with the natural topography as required for the final abandonment. Perennial vegetation will be established. Additional work will be required in the case of seeding failures. All permanent facilities will be painted Pinyon green to blend with the natural environment.

If the well is abandoned/dry hole:

Lone Mountain will restore the access road and location to blend with the natural topography. During reclamation of the site, fill material will be pushed into cuts and up over the back slope. No depressions will be left that could trap water or form ponds. The location will be seeded according to the approved seed mixture.

The area will be considered to be satisfactorily reclaimed when:

- a) Soil erosion resulting from the operation has been stabilized.
- b) A vegetative cover at least equal to that present prior to disturbance and a plant species composition at least desirable as that present prior to disturbance has been established. Establishment of seeded species in the approved seed formula will be considered as acceptance.

Additional work will be required until these conditions are satisfied.

11. SURFACE OWNERSHIP

All lands involving new construction are federal lands.

12. NOTIFICATIONS

Lone Mountain will contact the Grand Resource Area Manager at least 24 hours prior to commencing construction or maintenance of the access road and/or well pad.

Lone Mountain will immediately bring to the attention of the Grand Resource Area Manager any and all antiquities or other objects of historic or prehistoric ruins, artifacts, or fossils discovered as a result of operations under this permit. Lone Mountain will immediately suspend all activities in the area of the object and will leave such discoveries intact until told to proceed by the area manager. Notice to proceed will be based upon the evaluation of the cultural significance of the object. Evaluation will be by a qualified professional selected by the Area Manager from a federal agency insofar as practical. When not practical, Lone Mountain will follow the mitigation requirements set forth by the area manager concerning protection, preservation, or disposition of any sites or material discovered. In those situations where the area manager determines that data recovery and/or salvage excavations are necessary, Lone Mountain will bear the cost of such data recovery and/or salvage operations.

The Grand Resource Area Manager will be notified at least 24 hours prior to commencing reclamation work.

13. LESSEE'S OR OPERATOR'S REPRESENTATIVES AND CERTIFICATION

Joel V. Dyk
Petroleum Engineer
1360 Highway 6 & 50
Loma, Colorado 81524
Office Phone: (970) 858-7546
Cell Phone: (970) 250-9770

Jim Routson
Lone Mountain Production Company
P. O. Box 80965
Billings, Montana 59108-0965
Office Phone: (406) 245-5077
Cell Phone: (406) 855-9485

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions that currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by Lone Mountain and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

6/29/02
Date

Joel V. Dyk
Joel V. Dyk, Petroleum Engineer

WELL CONTROL PLAN

1. Surface casing: 8-5/8", 24.0#/ft, STC, J55 set at 2600 feet and cemented back to surface with A high yield slurry mixed at 11.5 ppg and tail slurry of 150 sacks Class G + 2% CaCl₂ + 1/4 #/sack cello flake. (Yield is 1.18 cu ft/sk). Primary cement job will use 50% excess over guage hole. Top off jobs will be pumped if necessary.
2. Casing head Flange: 8-5/8" by 4-1/2" 600 series casing head with two 2" 2000 psi outlets.
3. Blow out preventer: The drilling rig is equipped with a 10", 3000 psi double gate hydraulic BOP (or equivalent) with drill pipe rams and blind rams to meet requirements for a 2000 psi stack as indicated in On Shore Order No. 2. All fill, kill, and choke lines will be a minimum of 2", 2000 psi WP. A rotating head will be used while air or mist drilling. Pipe rams and Hydril will be function tested daily and blind rams on each trip when out of the hole with drill string. BOP's will be tested to 2000 psi but not more than 70% of the casing burst pressure prior to drilling the surface casing shoe joint.
5. Anticipated bottom hole pressure gradient is less than 0.25 psi/ft. No abnormal temperatures or hydrogen sulfide gas are anticipated.

Lone Mountain Production Company

By: 
Joe Dyk, Petroleum Engineer

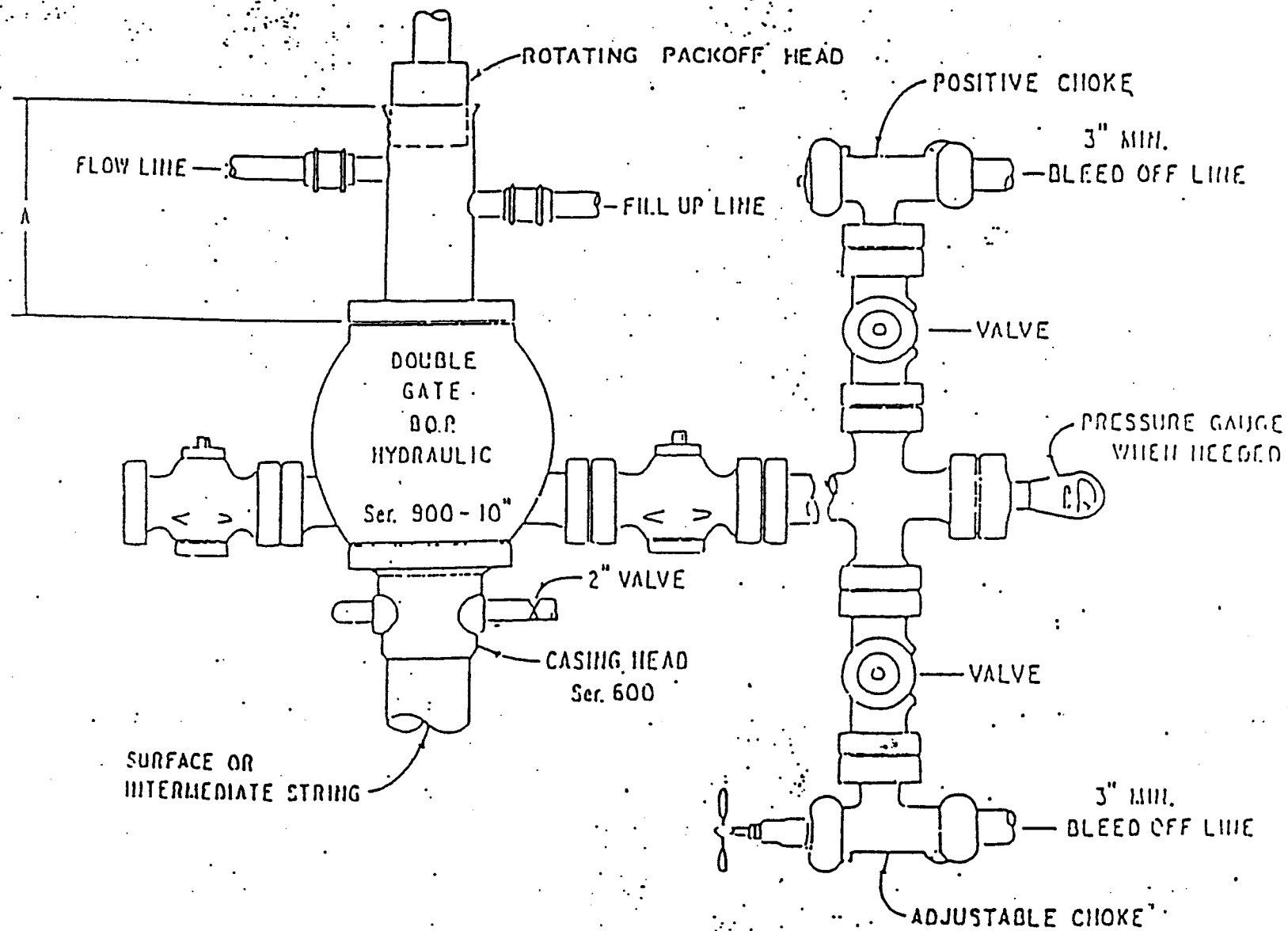
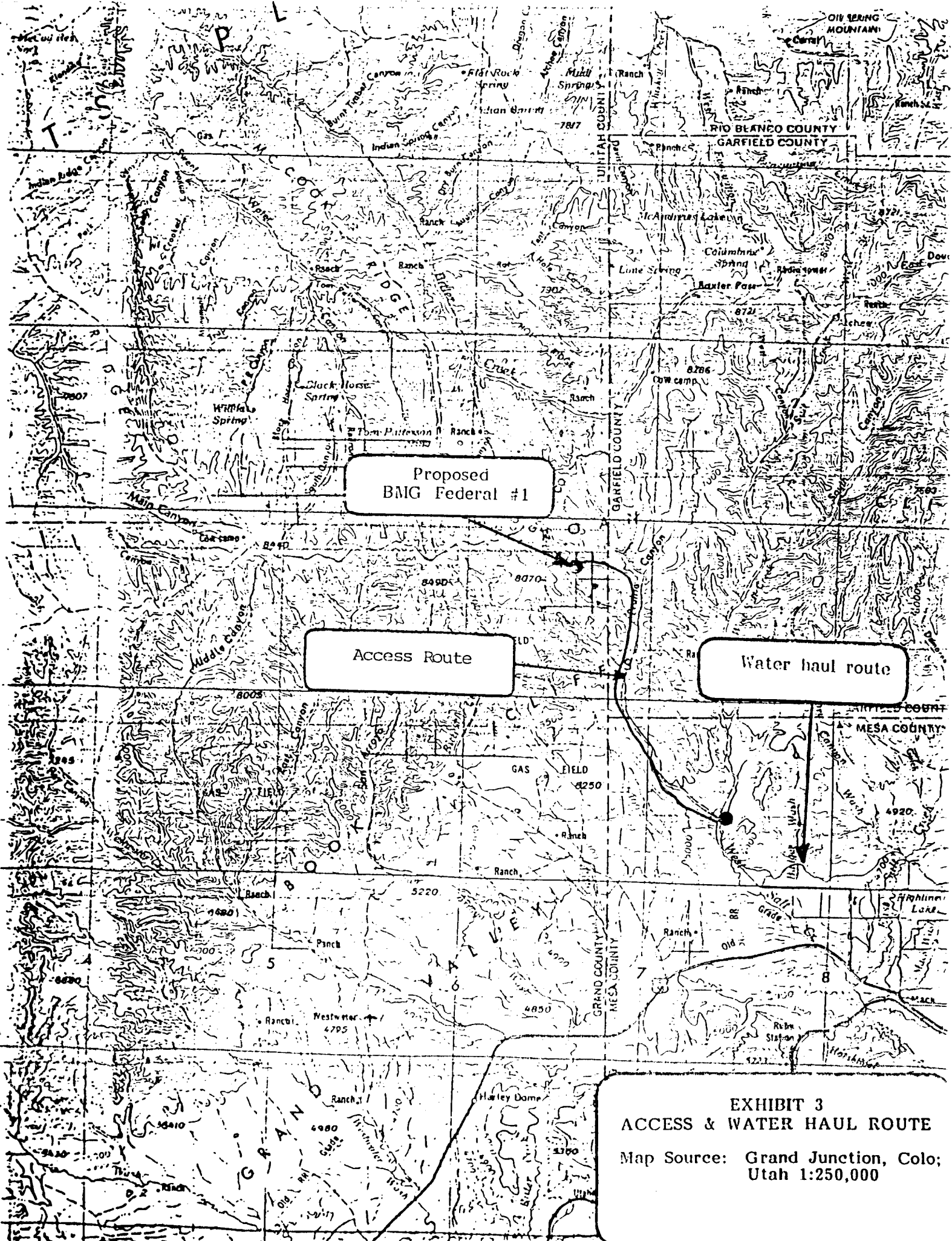
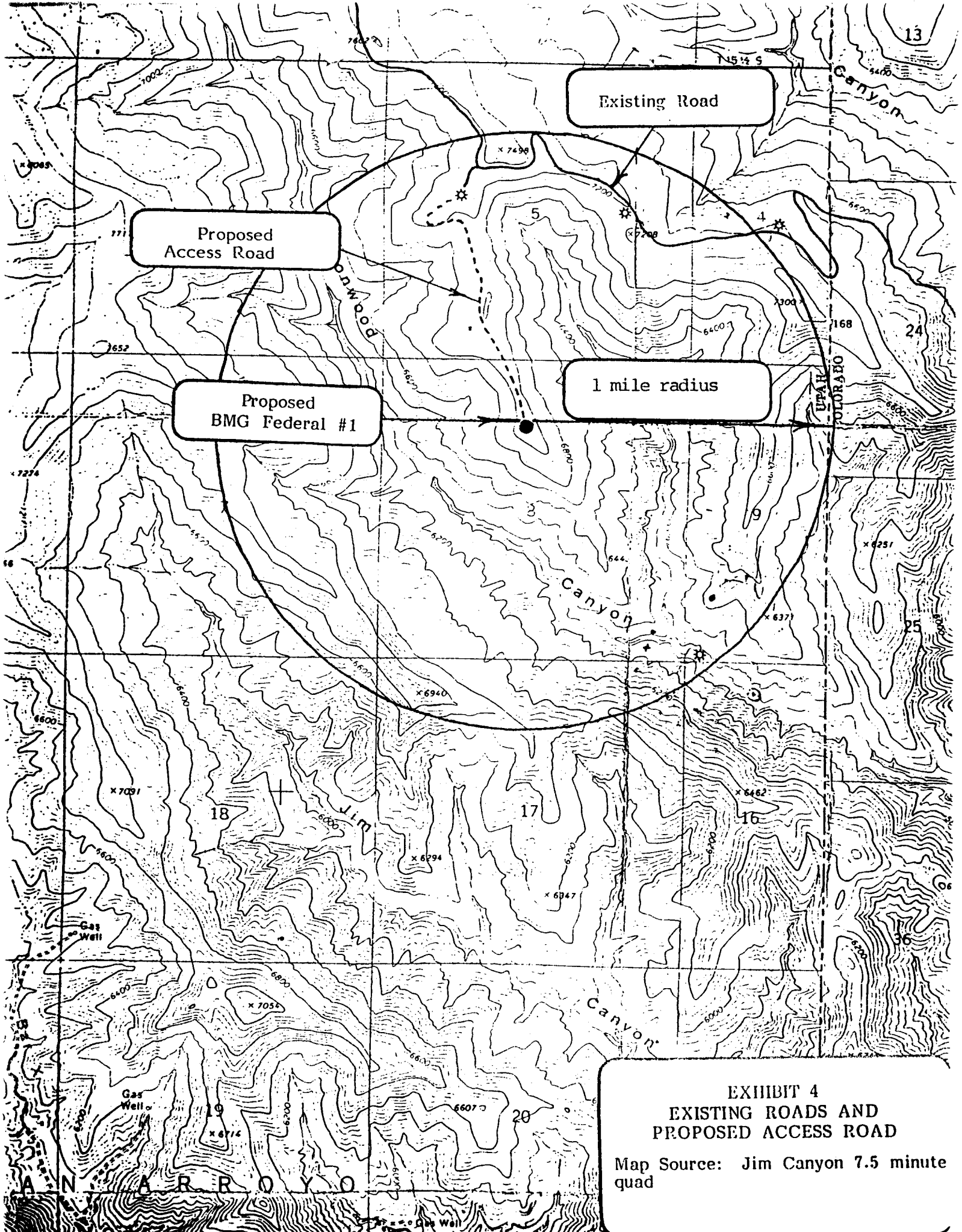


EXHIBIT I
 BLOWOUT PREVENTER DIAGRAM





WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 07/29/2002

API NO. ASSIGNED: 43-019-31391

WELL NAME: FED BMG 12OPERATOR: LONE MTN PRODUCTION CO (N7210)CONTACT: JOE DYKEPHONE NUMBER: 406-245-5077

PROPOSED LOCATION:

NENW 08 160S 260E

SURFACE: 1190 FNL 2453 FWL

BOTTOM: 1600 FNL 0700 FEL

GRAND

SAN ARROYO (250)

LEASE TYPE: 1 - Federal

LEASE NUMBER: U-05015

SURFACE OWNER: 1 - Federal

PROPOSED FORMATION: DKTA

INSPECT LOCATN BY: / /

Tech Review**Initials****Date**

Engineering

Geology

Surface

LATITUDE: 39.43414

LONGITUDE: 109.06901

RECEIVED AND/OR REVIEWED:

☒ Plat☒ Bond: Fed[1] Ind[] Sta[] Fee[](No. UT0719)☒ Potash (Y/N)☒ Oil Shale 190-5 (B) or 190-3 or 190-13☒ Water Permit(No. UTE WATER)☒ RDCC Review (Y/N)

(Date: _____)

☒ Fee Surf Agreement (Y/N)

LOCATION AND SITING:

 R649-2-3.

Unit _____

 R649-3-2. General

Siting: 460 From Qtr/Qtr & 920' Between Wells

 R649-3-3. Exception☒ Drilling UnitBoard Cause No: 107-05 (140')Eff Date: 11-7-02Siting: 500' fr drl boundary & 2000' fr other wells.☒ R649-3-11. Directional Drill

COMMENTS: _____

STIPULATIONS: 1- Federal approval

Application for Permit to Drill
BMG Federal No. 12
NENW Section 8, T16S-R26E
Grand County, Utah

1. Surface formation is the Mesa Verde
2. Anticipated Geologic Markers: Mesa Verde at surface, Castle gate at 2210', Mancos shale at 2250', Dakota Silt at 5715', Dakota at 5788', and Morrison at 5959' Total Depth at 6215'. All depths true vertical depth.
3. Gas is anticipated in the Dakota. Possible gas shows in the Morrison. No water sands are expected.
4. Proposed casing program:

<u>Hole size</u>	<u>Casing size</u>	<u>Depth</u>	<u>Cement</u>
12.25"	8-5/8" 24 lb K55 STC	2600 feet	cemented to surface
7.875"	4-1/2" 11.6 lb K55 STC	6215 feet TVD	225 sacks 10-2 thixo
5. Pressure Control equipment: See attached Well Control Plan and schematic of contractor's BOP stack. BOP's will be tested prior to drilling out from surface casing and checked daily.
6. Air or mist drilling will be used to drill the 12-1/4" surface hole and 8-5/8" casing will be set and cemented to surface with a rat hole rig. Then the drilling rig will be moved in to mud drill out under the surface casing. The mud will be water based low solids and non-dispersed.
7. Auxiliary Equipment: See Well Control Plan.
8. The electric logging program will consist of a DIL log from TD to the base of the surface casing and GR-CNL-FDC log from TD to 200' above the Dakota silt. No cores or drill stem tests are planned.
9. No abnormal pressures or temperatures are anticipated. No poisonous gas is anticipated.
10. Anticipated spud date is September 1, 2002. Completion operations should commence within 30 days of drilling rig release.
11. Survey plats are attached.
12. The gas is not dedicated at this time.

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AUG 05 2002
DIVISION OF
OIL, GAS AND MINING

13. Lone Mountain Production Co.'s Statewide Bond is UT0719.

14. The completion program will be designed after the logs have been evaluated.

002

LONE MOUNTAIN PRODUCTION COMPANY

1360 Highway 6 & 50
Loma, CO 81524

Phone (970) 858-7546
Fax (970) 858-4163

August 9, 2002

John Baza
Division of Oil, Gas & Mining
P. O. Box 145801
Salt Lake City, UT 84114-5801

Dear John:

The well plat for the BMG No. 1 well was used as the plat for the BMG No. 12 well because the No. 12 well will be drilled from the same pad as the No. 1 well was. The No. 12 will be located 50' south of the No. 1 well.

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AUG 09 2002

DIVISION OF
OIL, GAS AND MINING



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5340 telephone
(801) 359-3940 fax
(801) 538-7223 TTY
www.nr.utah.gov

Michael O. Leavitt
Governor
Robert L. Morgan
Executive Director
Lowell P. Braxton
Division Director

November 26, 2002

Lone Mountain Production Company
P O Box 80965
Billings, MT 59108


Re: Federal BMG 12 Well, Surface Location 1190' FNL, 2453' FWL, NE NW, Sec. 8.,
T. 16 South, R. 26 East, Bottom Location 1600' FNL, 700' FEL, SE NE, Sec. 8.,
T. 16 South, R. 26 East, Grand County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-019-31391.

Sincerely,


John R. Baza
Associate Director

pb

Enclosures

cc: Grand County Assessor
Bureau of Land Management, Moab District Office

Operator: Lone Mountain Production Company
Well Name & Number Federal BMG 12
API Number: 43-019-31391
Lease: U-05015

Surface Location: NE NW **Sec.** 8 **T.** 16 South **R.** 26 East
Bottom Location: SE NE **Sec.** 8 **T.** 16 South **R.** 26 East

Conditions of Approval

1. General

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for permit to drill.

2. Notification Requirements

Notify the Division within 24 hours of spudding the well.

- Contact Carol Daniels at (801) 538-5284.

Notify the Division prior to commencing operations to plug and abandon the well.

- Contact Dan Jarvis at (801) 538-5338

3. Reporting Requirements

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. State approval of this well does not supersede the required federal approval, which must be obtained prior to drilling.

5. In accordance with Utah Admin. R.649-3-11, Directional Drilling, the operator shall submit a complete angular deviation and directional survey report to the Division within 30 days following completion of the well.

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

005

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, deepen existing wells, or to reenter plugged and abandoned wells.
Use APPLICATION FOR PERMIT TO DRILL OR DEEPEN form for such proposals.

1. Type of Well: OIL ☐ GAS ☒ OTHER:

2. Name of Operator:

Lone Mountain Production Company

3. Address and Telephone Number:

P. O. Box 80965, Billings, MT 59108 (406) 245-5077

4. Location of Well 1190' FNL, 2453' FWL, Sec. 8, T16S, R26E (surface)

Footages: 1600' FNL, 700' FEL, Sec. 8, T16S-R26E (bottom)

OO, Sec., T., R., M.: NE NW Section 8, T16S, R26E (surface)

SE NE Section 8, T16S, R26E (bottom)

5. Lease Designation and Serial Number:

U-05015-A

6. If Indian, Allocated or Tribe Name:

7. Unit Agreement Name:

8. Well Name and Number:

BMG Federal 12

9. API Well Number:

43-019-31391

10. Field and Pool, or Wildcat:

San Arroyo

County: Grand

State: Utah

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

NOTICE OF INTENT
(Submit in Duplicate)

- ☐ Abandon ☐ New Construction
☐ Repair Casing ☐ Pull or Alter Casing
☐ Change of Plans ☐ Recomplete
☐ Convert to Injection ☐ Reperforate
☐ Fracture Treat or Acidize ☐ Vent or Flare
☐ Multiple Completion ☐ Water Shut-Off
☒ Other APD Extension

Approximate date work will start May 2004SUBSEQUENT REPORT
(Submit Original Form Only)

- ☐ Abandon ☐ New Construction
☐ Repair Casing ☐ Pull or Alter Casing
☐ Change of Plans ☐ Reperforate
☐ Convert to Injection ☐ Vent or Flare
☐ Fracture Treat or Acidize ☐ Water Shut-Off
☐ Other _____

Date of work completion _____

Report results of Multiple Completions and Recompletions to different reservoirs on WELL
COMPLETION OR RECOMPLETION REPORT AND LOG form.

• Must be accompanied by a cement verification report.

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Lone Mountain Production Company requests an additional one year extension on the approved APD for the subject well. If additional information is needed please contact our office at (406) 245-5077 or Joe Dyk at (970) 858-7546.

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 12-09-03
By: [Signature]

COPY SENT TO OPERATOR
Date: 12-10-03
Initials: CHD

13.

Name & Signature:

James G. Routson

Title: President

Date: 11/7/03

(This space for State use only)

RECEIVED

NOV 10 2003

DIV. OF OIL, GAS & MINING

LONE MOUNTAIN PRODUCTION COMPANY

Mailing Address:
P.O. Box 80965
Billings, MT 59108-0965

(406) 245-5077
FAX 248-6321

Shipping Address:
1911 King Avenue West
Billings, MT 59102

December 3, 2003

State of Utah
Division of Oil, Gas & Mining
1594 W. Temple, Suite 1210
P. O. Box 145801
Salt Lake City, Utah 84114-5801

Attn: Diana Whitney

RE: REQUEST FOR PERMIT EXTENTION VALIDATION
BMG FEDERAL NO. 10
BMG FEDERAL NO. 11
BMG FEDERAL NO. 12
CREDO FEDERAL NO. 3
GRAND COUNTY, UTAH

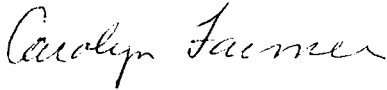
Dear Diana:

Enclosed are four (4) Requests for Permit Extention Validation for the referenced wells. As was discussed in our telephone conversation, please attach them to the sundry notices originally sent to you by Lone Mountain Production Company requesting an additional one year APD extension.

Should you have any questions or need further information, please contact our office at (406) 245-5077.

Sincerely,

LONE MOUNTAIN PRODUCTION COMPANY



Carolyn Farmer
Land Department

enclosures

cc: Joe Dyk

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DEC 08 2003
DIV OF OIL, GAS & MINING

**Application for Permit to Drill
Request for Permit Extension
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

API: 43-019-31391

Well Name: BMG Federal No. 12

Location: NE1/4 (surface) SENE (bottom) Section 8: T16S-R26E, Grand County, Utah

Company Permit Issued to: Lone Mountain Production Company

Date Original Permit Issued: 11/26/02

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes ☐ No ☐ not applicable

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes ☐ No ☒

Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes ☐ No ☒

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes ☐ No ☒

Has the approved source of water for drilling changed? Yes ☐ No ☒

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes ☐ No ☒

Is bonding still in place, which covers this proposed well? Yes ☒ No ☐

James G. Routson
Signature James G. Routson

12/3/03

Date

Title: President

Representing: Lone Mountain Production Company

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MOAB FIELD OFFICE

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

DEPT OF THE INTERIOR
BUREAU OF LAND MGMT

APPLICATION FOR PERMIT TO DRILL OR REENTER

006

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		6. Serial No. U-05015	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		7. If Unk or CA Agreement, Name and No. N/A	
<input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. Federal BMG No. 12	
2. Name of Operator Lone Mountain Production Co.		9. API Well No. 43-019-31391	
3a. Address P. O. Box 80965 Billings, MT		10. Field and Pool, or Exploratory San Arroyo	
3b. Phone No. (include area code) 406-245-5077		11. Sec., T., R., M., or Blk. and Survey or Area NENW Sec. 8, T16 S, R26E	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 2453' FWL 1190' FNL Sec. 8, T16S, R26E At proposed prod. zone 700' FEL 1600' FNL Sec. 8, T16S, R26E		12. County or Parish Grand	
14. Distance in miles and direction from nearest town or post office* 25 miles NW of Mack, CO		13. State UT	
15. Distance from proposed* location to nearest property or lease line, ft. 1190' (Also to nearest drig. unit line, if any)	16. No. of Acres in lease 2560 Acres	17. Spacing Unit dedicated to this well 160 Acres	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2176' from BMG 1	19. Proposed Depth 6215' TVD	20. BLM/BLA Bond No. on file UT0719	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 7106 GL	22. Approximate date work will start* Sept. 1, 2002	23. Estimated duration 30 days	
24. Attachments			

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature	Name (Printed/Typed) Joe Dyk	Date 6/28/02
Title Petroleum Engineer	Name (Printed/Typed) Lt Russell W vonKoch	Date DEC 5 2003
Title Assistant Field Manager, Office Division of Resources		

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

CONDITIONS OF APPROVAL ATTACHED

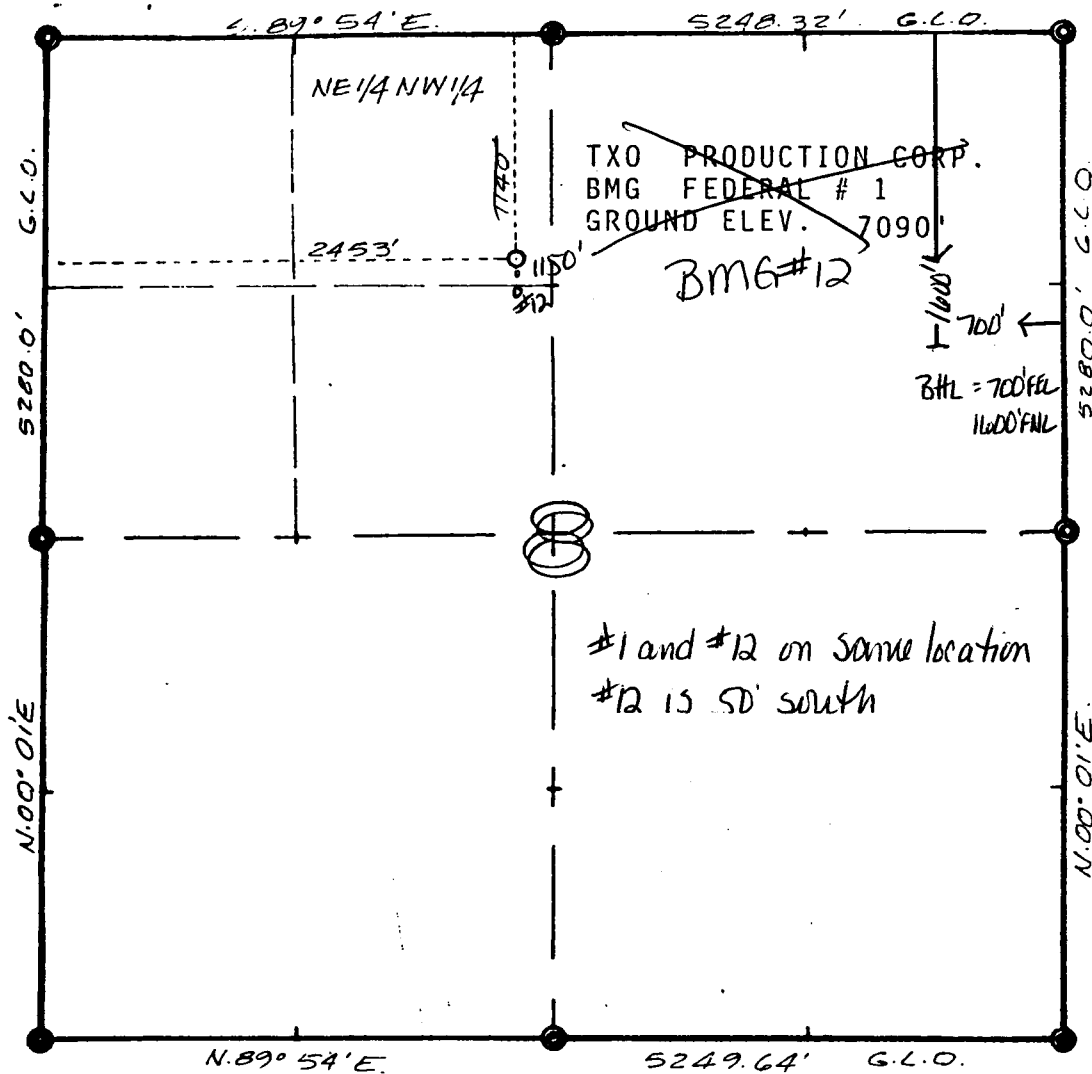
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DEC 11 2003

DIV. OF OIL, GAS & MIN.

SEC. 8, T. 16 S., R. 26 E. OF THE S.L.M.

EXHIBIT #2



SCALE
800 0 1000'

LEGEND

- STANDARD LOCATION OF G.L.O. CORNERS.
- G.L.O. CORNERS FOUND.
- WELL LOCATION STAKED.

REFERENCE DOCUMENTS.

1926 G.L.O. PLAT

JIM CANYON, UTAH
QUADRANGLE, USGS

BEARINGS ARE BASED ON THE EAST LINE OF SECTION 8

THIS WELL LOCATION PLAT WAS PREPARED FOR TXO PRODUCTION CORP.
 AS REQUESTED BY PAUL URBAN, TO LOCATE THE
BMG FEDERAL # 1, 1140' F.N.L. & 2453' F.W.L.,
 IN THE NE 1/4 NW 1/4, OF SECTION 8, T. 16 S., R. 26 E. OF THE S.L.M.
GRAND COUNTY, UTAH.



SURVEYOR'S CERTIFICATE

I, LARRY D. BECKER A REGISTERED LAND SURVEYOR
 IN THE STATE OF UTAH DO HEREBY CERTIFY THAT THIS
 SURVEY WAS MADE UNDER MY DIRECT SUPERVISION AND
 THAT THIS PLAT REPRESENTS SAID SURVEY.

Exhibit 2
Survey Plat

Larry D. Becker
 UTAH I.S. NO. 4189

SURVEYED	10-8-82
DRAWN	10-22-82
CHECKED	10-22-82

ENERGY
SURVEYS &
ENGINEERING CORP.

1155 BOOKCLIFF AVE. NO. 4
 GRAND JUNCTION, CO. 81501
 953 848-7281

SCALE 1" = 1000'

JOB NO.

SHEET 02

Lone Mountain Production Company
BMG Federal No. 12
Lease U-05015-A
Location -Surface: NE/NW Section 8, T 16S, R26E
 -Bottom hole: SE/NE Section 8, T16S, R26E
Grand County, Utah

**A COMPLETE COPY OF THIS PERMIT SHALL BE KEPT ON LOCATION
from the beginning of site construction through well completion, and shall be available to
contractors to ensure compliance.**

CONDITIONS OF APPROVAL

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Be advised that Lone Mountain Production Company is considered to be the operator of the above well and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this well is provided by UT0719 (Principal - Lone Mountain Production Company) via surety consent as provided for in 43 CFR § 3104.2.

This office will hold the aforementioned operator and bond liable until the provisions of 43 CFR § 3106.7-2 continuing responsibility are met.

This permit will be valid for a period of one year from the date of approval. After permit termination, a new application must be filed for approval.

All lease operations will be conducted in full compliance with applicable regulations (43 CFR § 3100), Onshore Oil and Gas Orders, lease terms, notices to lessees, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors.

A. DRILLING PROGRAM

1. The proposed BOPE is in a 2M configuration, and is adequate for anticipated conditions. Installation, testing and operation of the system shall be in conformance with Onshore Oil and Gas Order No. 2.
2. Concurrent approval from the State of Utah, Division of Oil, Gas & Mining (DOGM) is required before conducting any surface disturbing activities.
3. When drilling with air, the requirements of Onshore Oil and Gas Order No. 2, part III, E, Special Drilling Operations, shall apply. Among the requirements in this section are:
 - Spark arresters
 - Blooie line discharge 100 feet from wellbore
 - Straight blooie line
 - Deduster equipment
 - Float valve above bit
 - Automatic igniter on the blooie line
4. The surface casing shall be cemented back to surface.
5. The completion report shall include a directional survey.

B. SURFACE USE PLAN

1. In order to protect deer winter range, no drilling will be allowed from December 1 through April 15. The limitation does not apply to maintenance and operation of producing wells. Exceptions to this limitation may be specified in writing by the authorized officer.
2. Surface disturbance and vehicular travel will be limited to the approved location and access route. Any additional area needed will be approved in advance.
3. To minimize the amount of fugitive dust and spray escaping from the blooie pit, the blooie line will be directed into a sloped bank of soil material.
4. All wells, whether drilling, producing, suspended, or abandoned, will be identified in accordance with 43 CFR 3162.6. When the well is abandoned, the abandonment marker must be at least four feet above restored ground level and must be inscribed with the following: operator name, lease number, well name and surveyed description (township, range, section and either quarter-quarter or footages).
5. At the end of drilling operations and prior to reclamation of the reserve pit, the fourth side of the pit will be fenced and the top of the pit will be covered with netting of one inch or less to prevent access by birds.
6. The reserve pit and blooie pit will be dry prior to being covered and recontoured.
7. A Sundry Notice (possibly additional cultural resource inventories and reports) will be required prior to authorization of pipeline installation operations.
8. If a gas meter run is constructed, it will be located on lease within 500 feet of the wellhead. The gas flowline will be buried from the wellhead to the meter and will be buried downstream of the meter until it leaves the pad. Meter runs will be housed and/or fenced. The gas meter shall be calibrated prior to first sales and shall be calibrated quarterly thereafter. All gas production and measurement shall comply with the provisions of 43 CFR 3162.7, Onshore Oil and Gas Order No. 5, and American Gas Association (AGA) Report No. 3.
9. If the well is productive, the access road will be brought to Resource (Class III) Road Standards within 60 days of dismantling the rig. If upgraded, the access road must be maintained at these standards until the well is properly abandoned. If this time frame cannot be met, the authorized officer will be notified so that temporary drainage control can be installed along the access road.
10. In the event the well pad or road is graveled or surfaced, the material will be removed prior to recontouring the surface for rehabilitation.
11. The operator will be responsible for noxious weed control on the disturbed areas within the limits of the well site and new road construction. The operator is responsible for consultation with the authorized officer and/or local authorities for acceptable weed control methods.

C. REQUIRED APPROVALS, REPORTS AND NOTIFICATIONS

Required verbal notifications are summarized in Table 1, attached.

Building Location- Contact the Moab Field Office, Natural Resource Protection Specialist at least 48-hours prior to commencing construction of location.

Spud- The spud date will be reported to BLM 24-hours prior to spudding. Written notification in the form of a Sundry Notice (Form 3160-5) will be submitted to the Moab Field Office within 24-hours after spudding, regardless of whether spud was made with a dry hole digger or big rig.

Daily Drilling Reports- Daily drilling reports shall detail the progress and status of the well and shall be submitted to the Moab Field Office on a weekly basis.

Monthly Reports of Operations- In accordance with Onshore Oil and Gas Order No. 1, this well shall be reported on Minerals Management Service (MMS) Form 3160, "Monthly Report of Operations," starting the month in which operations commence and continuing each month until the well is physically plugged and abandoned. This report will be filed directly with MMS.

Sundry Notices- There will be no deviation from the proposed drilling and/or workover program without prior approval. "Sundry Notices and Reports on Wells" (Form 3160-5) will be filed with the Moab Field Office for approval of all changes of plans and subsequent operations in accordance with 43 CFR 3162.3-2. Safe drilling and operating practices must be observed.

Drilling Suspensions- Operations authorized by this permit shall not be suspended for more than 30 days without prior approval of the Moab Field Office. All conditions of this approval shall be applicable during any operations conducted with a replacement rig.

Undesirable Events- Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be immediately reported to the BLM in accordance with requirements of NTL-3A.

Cultural Resources- If cultural resources are discovered during construction, work that might disturb the resources is to stop, and the Price Field Office is to be notified.

First Production- Should the well be successfully completed for production, the Moab Field Office will be notified when the well is placed in producing status. Such notification may be made by phone, but must be followed by a sundry notice or letter not later than five business days following the date on which the well is placed into production.

A first production conference will be scheduled as soon as the productivity of the well is apparent. This conference should be coordinated through the Moab Field Office. The Moab Field Office shall be notified prior to the first sale.

Well Completion Report- Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted to the Moab Field Office not later than thirty-days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3162.4-1. Two copies of all logs, core descriptions, core analyses, well test data, geologic summaries, sample description, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed with Form 3160-4. When requested, samples (cuttings and/or samples) will be submitted to the Moab Field Office.

Venting/Flaring of Gas- Gas produced from this well may not be vented/flared beyond an initial, authorized test period of 30 days or 50 MMcf, whichever first occurs, without the prior, written approval of the Moab Field Office. Should gas be vented or flared without approval beyond the authorized test period, the well may be ordered shut-in until the gas can be captured or approval to continue the venting/flaring as uneconomic is granted. In such case, compensation to the lessor (BLM) shall be required for that portion of the gas that is vented/flared without approval and which is determined to have been avoidably lost.

Produced Water- An application for approval of a permanent disposal method and location will be submitted to the Moab Field Office for approval pursuant to Onshore Oil and Gas Order No.7.

Off-Lease Measurement, Storage, Commingling- Prior approval must be obtained from the Moab Field Office for off-lease measurement, off-lease storage and/or commingling (either down-hole or at the surface).

Plugging and Abandonment- If the well is completed as a dry hole, plugging instructions must be obtained from the Moab Field Office prior to initiating plugging operations.

A "Subsequent Report of Abandonment" (Form 3160-5) will be filed with the Moab Field Office within thirty-days following completion of the well for abandonment. This report will indicate where plugs were placed and the current status of surface restoration. Upon completion of approved plugging, a regulation marker will be erected in accordance with 43 CFR 3162.6. Final abandonment will not be approved until the surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the Price Field Office or the appropriate surface managing agency.

TABLE 1

NOTIFICATIONS

Notify Rich McClure (435-259-2127) or Jack Johnson (435-259-2129) of the BLM Moab Field Office for the following:

2 days prior to commencement of dirt work, construction and reclamation (McClure);

1 day prior to spudding (Johnson);

50 feet prior to reaching the surface casing setting depth (Johnson);

3 hours prior to testing BOPs (Johnson).

If the people at the above numbers cannot be reached, notify the Moab Field Office at 435-259-2100. If unsuccessful, contact the person listed below.

Well abandonment operations require 24 hour advance notice and prior approval. In the case of newly drilled dry holes, verbal approval can be obtained by calling the Moab Field Office at (435) 259-2100. If approval is needed after work hours, you may contact the following:

Eric Jones, Petroleum Engineer

Office: (435) 259-2117

Home: (435) 259-2214

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: U-05015-A
2. NAME OF OPERATOR: Lone Mountain Production Company		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: P. O. Box 80965 CITY Billings STATE MT ZIP 59108		7. UNIT or CA AGREEMENT NAME:
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1190' FNL, 2453' FWL QTR/QR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NENW 8 16S 26E 6		8. WELL NAME and NUMBER: BMG Federal #12
PHONE NUMBER: (406) 245-5077		9. API NUMBER: 4301931391
COUNTY: Grand		10. FIELD AND POOL, OR WILDCAT: San Arroyo
STATE: UTAH		

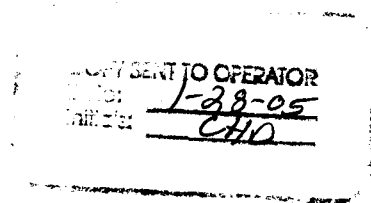
11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA			
TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: 6/1/2005	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion:	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: APD Extension
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Lone Mountain Production Company requests an additional one year extension on the approved APD for the subject well. This location was built in summer 2004. Due to the increased activity level of the industry we have not been able to contract a rig.

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 01-22-05
By: [Signature]



NAME (PLEASE PRINT) Joe Dyk	TITLE Petroleum Engineer
SIGNATURE [Signature]	DATE 1/24/05

(This space for State use only)

RECEIVED

JAN 26 2005

DIVISION OF OIL, GAS AND MINING

**Application for Permit to Drill
Request for Permit Extension
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

API: 4301931391
Well Name: BMG Federal No. 12
Location: NENW Section 8, T16S, R26E Grand County, UT
Company Permit Issued to: Lone Mountain Production Company
Date Original Permit Issued: 11/26/2002

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes ☐ No ☒

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes ☐ No ☒

Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes ☐ No ☒

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes ☐ No ☒

Has the approved source of water for drilling changed? Yes ☐ No ☒

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes ☐ No ☒

Is bonding still in place, which covers this proposed well? Yes ☒ No ☐

Signature

[Handwritten Signature]

Date

1/24/05

Title: Petroleum Engineer

Representing: Lone Mountain Production Company

RECEIVED

JAN 26 2005

OFFICE OF THE COUNTY CLERK

LONE MOUNTAIN PRODUCTION COMPANY

Mailing Address:
P.O. Box 80965
Billings, MT 59108-0965

(406) 245-5077
FAX 248-6321

Shipping Address:
1911 King Avenue West
Billings, MT 59102

December 1, 2005

State of Utah
Division of Oil, Gas & Mining
1594 W. North Temple, Suite 1210
P. O. Box 145801
Salt Lake City, Utah 84114-5801

RE: ONE YEAR EXTENSIONS
BMG FED. #10, #11, AND #12 WELLS
CREDO FED. #3 WELL
GRAND COUNTY, UTAH

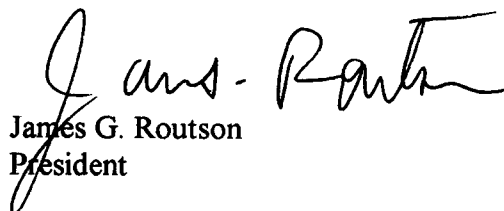
Gentlemen:

Enclosed are four sundry notices, each in duplicate, requesting a one year extension be approved by your office for the referenced wells. Due to the current oil and gas boom, Lone Mountain Production Company has been unable to obtain even a rat hole rig to spud the wells and set surface casing. We are currently looking to pool our drilling needs with other small producers to contract a rig.

If you have any questions or need further information, please contact our office at (406) 245-5077 or Joe Dyk at (970) 858-7546 (office) or (970) 250-9770 (cell).

Sincerely,

LONE MOUNTAIN PRODUCTION COMPANY


James G. Routson
President

enclosures

cc: Joe Dyk

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DEC 05 2005
DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

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5. LEASE DESIGNATION AND SERIAL NUMBER:

UTU-05015-A

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:

8. WELL NAME and NUMBER:

BMG Federal 12

9. API NUMBER:

4301931391

10. FIELD AND POOL, OR WILDCAT:

San Arroyo

1. TYPE OF WELL

OIL WELL ☐

GAS WELL ☒

OTHER

2. NAME OF OPERATOR:

Lone Mountain Production Company

3. ADDRESS OF OPERATOR:

P. O. Box 80965

CITY Billings

STATE MT

ZIP 59108

PHONE NUMBER:

(406) 245-5077

4. LOCATION OF WELL

FOOTAGES AT SURFACE: 1190' FNL, 2453' FWL

COUNTY: Grand

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NENW 8 16S 26E 6

STATE:

UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☐ NOTICE OF INTENT
(Submit in Duplicate)
Approximate date work will start:

☒ SUBSEQUENT REPORT
(Submit Original Form Only)
Date of work completion:

☐ ACIDIZE

☐ ALTER CASING

☐ CASING REPAIR

☐ CHANGE TO PREVIOUS PLANS

☐ CHANGE TUBING

☐ CHANGE WELL NAME

☐ CHANGE WELL STATUS

☐ COMMINGLE PRODUCING FORMATIONS

☐ CONVERT WELL TYPE

☐ DEEPEN

☐ FRACTURE TREAT

☐ NEW CONSTRUCTION

☐ OPERATOR CHANGE

☐ PLUG AND ABANDON

☐ PLUG BACK

☐ PRODUCTION (START/RESUME)

☐ RECLAMATION OF WELL SITE

☐ RECOMPLETE - DIFFERENT FORMATION

☐ REPERFORATE CURRENT FORMATION

☐ SIDETRACK TO REPAIR WELL

☐ TEMPORARILY ABANDON

☐ TUBING REPAIR

☐ VENT OR FLARE

☐ WATER DISPOSAL

☐ WATER SHUT-OFF

☒ OTHER: APD Extension

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Lone Mountain Production Company requests an additional one year extension on the approved APD for the subject well. This location was built in Summer 2004. Due to the increased activity level of the industry, we have not been able to contract a rig.

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 12-12-05

By: [Signature]

COPY SENT TO OPERATOR

Date: 12-13-05

Initials: [Signature]

NAME (PLEASE PRINT) James G. Routson

TITLE President

SIGNATURE [Signature]

DATE 12/1/05

(This space for State use only)

RECEIVED

DEC 05 2005

DIV. OF OIL, GAS & MINING

**Application for Permit to Drill
Request for Permit Extension
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

API: 4301931391
Well Name: BMG Federal 12
Location: NENW Section 8, T16S, R26E, Grand County, UT
Company Permit Issued to: Lone Mountain Production Company
Date Original Permit Issued: 11/26/2002

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

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Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes ☐ No ☒

Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes ☐ No ☒

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes ☐ No ☒

Has the approved source of water for drilling changed? Yes ☐ No ☒

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes ☐ No ☒

Is bonding still in place, which covers this proposed well? Yes ☒ No ☐

Jane Ranth
Signature

12/1/05
Date

Title: President

Representing: Lone Mountain Production Company

RECEIVED
DEC 05 2005
DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 6

ENTITY ACTION FORMOperator: Lone Mountain Production CompanyOperator Account Number: N 7210Address: P. O. Box 80965city Billingsstate MTzip 59108-0965Phone Number: (406) 245-5077**Well 1**

API Number	Well Name		QQ	Sec	Twp	Rng	County
019-31383	BMG Federal No. 10		NWSW	17	16S	26E	Grand
Action Code	Current Entity Number	New Entity Number	Spud Date			Entity Assignment Effective Date	
A	99999	15413	5/18/2006			6/8/06	
Comments: <u>DKTA</u> <u>- K</u>							

Well 2

API Number	Well Name		QQ	Sec	Twp	Rng	County
019-31385	BMG Federal No. 11		NESE	17	16S	26E	Grand
Action Code	Current Entity Number	New Entity Number	Spud Date			Entity Assignment Effective Date	
A	99999	15414	5/17/2006			6/8/06	
Comments: <u>DKTA</u> Location is Bottom Hole. Surface Location is NWSW 17: T16S-R26E <u>- K</u>							

Well 3

API Number	Well Name		QQ	Sec	Twp	Rng	County
019-31391	BMG Federal No. 12		NENW	8	16S	26E	Grand
Action Code	Current Entity Number	New Entity Number	Spud Date			Entity Assignment Effective Date	
A	99999	15415	5/25/2006			6/8/06	
Comments: <u>DKTA</u> <u>- K</u>							

ACTION CODES:

- A - Establish new entity for new well (single well only)
- B - Add new well to existing entity (group or unit well)
- C - Re-assign well from one existing entity to another existing entity
- D - Re-assign well from one existing entity to a new entity
- E - Other (Explain in 'comments' section)

CAROLYN FARMER
 Name (Please Print)

Carolyn Farmer
 Signature

Asst. Secretary/Manager
 Title

6/8/06
 Date

(5/2000)

RECEIVED**JUN 08 2006**

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

5. LEASE DESIGNATION AND SERIAL NUMBER: UTU-05015-A	
6. IF INDIAN, ALLOTTEE OR TRIBE NAME:	
7. UNIT or CA AGREEMENT NAME:	
SUNDRY NOTICES AND REPORTS ON WELLS	
Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.	
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____	8. WELL NAME and NUMBER BMG Federal No. 12
2. NAME OF OPERATOR: Lone Mountain Production Company	9. API NUMBER 43-019-31391
3. ADDRESS OF OPERATOR: P. O. Box 80965 CITY Billings STATE MT ZIP 59108	10. FIELD AND POOL, OR WILDCAT: San Arroyo
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1160' FNL, 2453' FWL COUNTY: Grand QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NENW 8 16S 26E S STATE: UTAH	

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA			
TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE <input type="checkbox"/> ALTER CASING <input type="checkbox"/> CASING REPAIR <input type="checkbox"/> CHANGE TO PREVIOUS PLANS <input type="checkbox"/> CHANGE TUBING <input type="checkbox"/> CHANGE WELL NAME <input type="checkbox"/> CHANGE WELL STATUS <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS <input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> DEEPEN <input type="checkbox"/> FRACTURE TREAT <input type="checkbox"/> NEW CONSTRUCTION <input type="checkbox"/> OPERATOR CHANGE <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> PLUG BACK <input type="checkbox"/> PRODUCTION (START/RESUME) <input type="checkbox"/> RECLAMATION OF WELL SITE <input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	<input type="checkbox"/> REPERFORATE CURRENT FORMATION <input type="checkbox"/> SIDETRACK TO REPAIR <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> TUBING REPAIR <input type="checkbox"/> VENT OR FLARE <input type="checkbox"/> WATER DISPOSAL <input type="checkbox"/> WATER SHUT-OFF <input checked="" type="checkbox"/> OTHER: Notice of Spud & Footage Change
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____			

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

The BMG Federal No. 12 well was spud at 12:30 p. m., May 25, 2006.

Drilled 18" hole to 40'. Set 14", 42#, H-40 casing to 40'. Cemented to surface with 35 sacks.

Note: The well bore will be 30' North of the original staking due to the configuration of the drilling rig we were able to obtain.

666193X
4366556Y

39.434410

-109.068930

7-10-06
CHD

Approved by the
Utah Division of
Oil, Gas and Mining
Date: 06-05-06
By: [Signature]

NAME (PLEASE PRINT) James G. Routson	TITLE President
SIGNATURE <u>[Signature]</u>	DATE 5/26/2006

(This space for State use only)

RECEIVED
MAY 30 2006
DIV. OF OIL, GAS & MINING

LONE MOUNTAIN PRODUCTION COMPANY

Mailing Address:
P.O. Box 80965
Billings, MT 59108-0965

(406) 245-5077
FAX 248-6321

Shipping Address:
2590 Holman Avenue, Suite B-1
Billings, MT 59102

May 26, 2006

State of Utah
Division of Oil, Gas & Mining
1594 W. Temple, Suite 1210
P. O. Box 145801
Salt Lake City, Utah 84114-5801

RE: SUNDRY NOTICES
BMG FEDERAL NOS. 10, 11, 12
CREDO FEDERAL NO. 3
GRAND COUNTY, UTAH

Gentlemen:

Enclosed are four sundry notices, each in duplicate, notifying your office that the referenced wells were spud this week.

Should you have any questions or need further information please contact me at (406) 245-~~5077~~ or Joe Dyk at (970) 858-7546 (office) or (970) 250-9770 (cell).

Sincerely,

LONE MOUNTAIN PRODUCTION COMPANY



James G. Routson
President

enclosure

cc: Joe Dyk

RECEIVED
MAY 30 2006

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

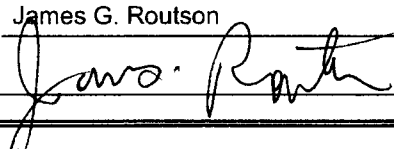
FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.		5. LEASE DESIGNATION AND SERIAL NUMBER: UTU-05015-A
		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
		7. UNIT or CA AGREEMENT NAME:
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____	8. WELL NAME and NUMBER: BMG Federal No. 12	9. API NUMBER: 019-31391
2. NAME OF OPERATOR: Lone Mountain Production Company	10. FIELD AND POOL, OR WILDCAT: San Arroyo	
3. ADDRESS OF OPERATOR: P. O. Box 80965 CITY Billings STATE MT ZIP 59108	PHONE NUMBER: (406) 245-5077	
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1160' FNL, 2453' FWL		COUNTY: Grand
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NENW 8 16S 26E S		STATE: UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA			
TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE <input type="checkbox"/> ALTER CASING <input type="checkbox"/> CASING REPAIR <input type="checkbox"/> CHANGE TO PREVIOUS PLANS <input type="checkbox"/> CHANGE TUBING <input type="checkbox"/> CHANGE WELL NAME <input type="checkbox"/> CHANGE WELL STATUS <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS <input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> DEEPEN <input type="checkbox"/> FRACTURE TREAT <input type="checkbox"/> NEW CONSTRUCTION <input type="checkbox"/> OPERATOR CHANGE <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> PLUG BACK <input type="checkbox"/> PRODUCTION (START/RESUME) <input type="checkbox"/> RECLAMATION OF WELL SITE <input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	<input type="checkbox"/> REPERFORATE CURRENT FORMATION <input type="checkbox"/> SIDETRACK TO REPAIR WELL <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> TUBING REPAIR <input type="checkbox"/> VENT OR FLARE <input type="checkbox"/> WATER DISPOSAL <input type="checkbox"/> WATER SHUT-OFF <input checked="" type="checkbox"/> OTHER: Status Report
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____			

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc

Waiting on completion rig.

NAME (PLEASE PRINT) James G. Routson	TITLE President
SIGNATURE 	DATE 9/6/06
(This space for State use only)	

RECEIVED

SEP 08 2006

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

5. LEASE DESIGNATION AND SERIAL NUMBER:

UTU-05015-A

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:

8. WELL NAME and NUMBER:

BMG Federal No. 12

9. API NUMBER:

019-31391

10. FIELD AND POOL, OR WILDCAT:

San Arroyo

1. TYPE OF WELL

OIL WELL ☐

GAS WELL ☒

OTHER

2. NAME OF OPERATOR:

Lone Mountain Production Company

3. ADDRESS OF OPERATOR:

P. O. Box 80965

CITY Billings

STATE MT

ZIP 59108

PHONE NUMBER:

(406) 245-5077

4. LOCATION OF WELL

FOOTAGES AT SURFACE: 1160' FNL, 2453' FWL

COUNTY: Grand

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NENW 8 16S 26E S

STATE:

UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: 	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION	
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL	
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON	
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR	
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE	
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: 	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL	
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF	
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: Set surface casing	
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION		

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

An air rig was used to drill and set surface casing June 26-27.

Drilled 12-1/4" hole to 363'. Ran 9-5/8", 32-3#, H-40 casing to 359'. Cemented with 175 sacks.

Pumped an additional 475 sacks down annulus in four separate jobs to get cement to surface.

Total cement used: 650 sacks.

NAME (PLEASE PRINT) James G. Routson

TITLE President

SIGNATURE

DATE 6/28/2006

(This space for State use only)

RECEIVED
JUN 30 2006

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

5. LEASE DESIGNATION AND SERIAL NUMBER:

UTU-05015-A

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:

8. WELL NAME and NUMBER:

BMG Federal No. 12

9. API NUMBER:

019-31391

10. FIELD AND POOL, OR WILDCAT:

San Arroyo

1. TYPE OF WELL

OIL WELL ☐

GAS WELL ☒

OTHER

2. NAME OF OPERATOR:

Lone Mountain Production Company

3. ADDRESS OF OPERATOR:

P. O. Box 80965

CITY Billings

STATE MT

ZIP 59108

PHONE NUMBER:

(406) 245-5077

4. LOCATION OF WELL

FOOTAGES AT SURFACE: 1160' FNL, 2453' FWL

COUNTY: Grand

QTR/QR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NENW 8 16S 26E S

STATE:

UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

☐ NOTICE OF INTENT
(Submit in Duplicate)

Approximate date work will start:

☒ SUBSEQUENT REPORT
(Submit Original Form Only)

Date of work completion:

TYPE OF ACTION

☐ ACIDIZE

☐ ALTER CASING

☐ CASING REPAIR

☐ CHANGE TO PREVIOUS PLANS

☐ CHANGE TUBING

☐ CHANGE WELL NAME

☐ CHANGE WELL STATUS

☐ COMMINGLE PRODUCING FORMATIONS

☐ CONVERT WELL TYPE

☐ DEEPEN

☐ FRACTURE TREAT

☐ NEW CONSTRUCTION

☐ OPERATOR CHANGE

☐ PLUG AND ABANDON

☐ PLUG BACK

☐ PRODUCTION (START/RESUME)

☐ RECLAMATION OF WELL SITE

☐ RECOMPLETE - DIFFERENT FORMATION

☐ REPERFORATE CURRENT FORMATION

☐ SIDETRACK TO REPAIR WELL

☐ TEMPORARILY ABANDON

☐ TUBING REPAIR

☐ VENT OR FLARE

☐ WATER DISPOSAL

☐ WATER SHUT-OFF

☒ OTHER: Drilling

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Drilling. Total depth drilled as of 7/17/06 is 2340 ft.

NAME (PLEASE PRINT) James G. Routson

TITLE President

SIGNATURE

DATE 7/17/06

(This space for State use only)

RECEIVED

JUL 19 2006

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: UTU-05015-A
2. NAME OF OPERATOR: Lone Mountain Production Company		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: P. O. Box 80965 CITY Billings STATE MT ZIP 59108		7. UNIT or CA AGREEMENT NAME:
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1160' FNL, 2453' FWL QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NENW 8 16S 26E S		8. WELL NAME and NUMBER: BMG Federal No. 12
PHONE NUMBER: (406) 245-5077		9. API NUMBER: 43-019-31391
		10. FIELD AND POOL, OR WILDCAT: San Arroyo
		COUNTY: Grand
		STATE: UTAH

CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: Notice of First Production
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12 DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Please be advised the BMG Federal No. 12 well was turned on for first production on December 1, 2006 at 11:00 a.m. to Canyon Gas Resources.

NAME (PLEASE PRINT) James G. Routson

TITLE President

SIGNATURE

DATE

12/4/2006

(This space for State use only)

RECEIVED
DEC 06 2006

LONE MOUNTAIN PRODUCTION COMPANY

Mailing Address:
P.O. Box 80965
Billings, MT 59108-0965

(406) 245-5077
FAX 248-6321

Shipping Address:
2590 Holman Avenue, Suite B-1
Billings, MT 59102

December 4, 2006

State of Utah
Division of Oil, Gas & Mining
1594 W. Temple, Suite 1210
P. O. Box 145801
Salt Lake City, Utah 84114-5801

RE: NOTICE OF FIRST PRODUCTION
BMG FEDERAL NO. 12
CREDO FEDERAL NO. 3
GRAND COUNTY, UTAH

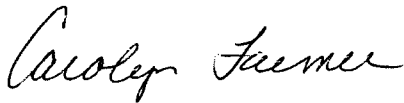
Ladies and Gentlemen:

Enclosed are two Sundry Notices, in duplicate, advising your office at the BMG Federal No. 12 and the Credo Federal No. 3 wells were turned on for first production on December 1, 2006 at 11:00 a.m. to Canyon Gas Resources.

If you have any questions or need further information please contact our office at (406) 245-5077 or Joe Dyk at (970) 858-7546 (office) or (970) 250-9770 (cell).

Sincerely,

LONE MOUNTAIN PRODUCTION COMPANY



Carolyn Farmer
Office Manager

enclosures

cc: Joe Dyk

RECEIVED

DEC 06 2006

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

AMENDED REPORT ☐ FORM 8
(highlight changes)

5. LEASE DESIGNATION AND SERIAL NUMBER:
UTU-05015-A

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT or CA AGREEMENT NAME

8. WELL NAME and NUMBER:
BMG Federal No. 12

9. API NUMBER:
019-31391

10. FIELD AND POOL, OR WILDCAT
San Arroyo

11. QTR/QTR, SECTION, TOWNSHIP, RANGE,
MERIDIAN:
NENW 8 16S 26E S

12. COUNTY
Grand

13. STATE
UTAH

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. TYPE OF WELL: OIL WELL ☐ GAS WELL ☒ DRY ☐ OTHER

b. TYPE OF WORK: NEW WELL ☒ HORIZ. LATS. ☐ DEEP-EN ☐ RE-ENTRY ☐ DIFF. RESVR. ☐ OTHER

2. NAME OF OPERATOR:
Lone Mountain Production Company

3. ADDRESS OF OPERATOR: P. O. Box 80965 CITY Billings STATE MT ZIP 59108 PHONE NUMBER: (406) 245-5077

4. LOCATION OF WELL (FOOTAGES)
AT SURFACE: 1160' FNL, 2453' FWL Sec 8: T16S-R26E
AT TOP PRODUCING INTERVAL REPORTED BELOW: 1564' FNL, 857' FEL Sec 8: T16S-R26E
AT TOTAL DEPTH: 1582' FNL, 728 FEL, Sec 8: T16S-R26E

14. DATE SPUDDED: 5/25/2006 15. DATE T.D. REACHED: 7/21/2006 16. DATE COMPLETED: 10/31/2006 ABANDONED ☐ READY TO PRODUCE ☒

17. ELEVATIONS (DF, RKB, RT, GL):
7106' GL 7121' KB

18. TOTAL DEPTH: MD 6,550 TVD 6,156 19. PLUG BACK T.D.: MD 6,330 TVD 5,947 20. IF MULTIPLE COMPLETIONS, HOW MANY? * N/A 21. DEPTH BRIDGE MD 6,350 PLUG SET: TVD 5,966

22. TYPE ELECTRIC AND OTHER MECHANICAL LOGS RUN (Submit copy of each)

GR-FDC-CNL, SP-DIL, CBL

23. WAS WELL CORED? NO ☒ YES ☐ (Submit analysis)
WAS DST RUN? NO ☒ YES ☐ (Submit report)
DIRECTIONAL SURVEY? NO ☐ YES ☒ (Submit copy)

24. CASING AND LINER RECORD (Report all strings set in well)

HOLE SIZE	SIZE/GRADE	WEIGHT (#/ft.)	TOP (MD)	BOTTOM (MD)	STAGE CEMENTER DEPTH	CEMENT TYPE & NO. OF SACKS	SLURRY VOLUME (BBL)	CEMENT TOP **	AMOUNT PULLED
18"	14" H-40	42#	0	40		ClassG 35		0	None
12-1/4"	9-5/8" H-40	32.3#	0	363		ClassG 650		0	None
8-3/4"	4-1/2" M-80	11.6#	0	6,525		ClassG 350		5,090	None

25. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
2-3/8"	6.242							

26. PRODUCING INTERVALS

FORMATION NAME	TOP (MD)	BOTTOM (MD)	TOP (TVD)	BOTTOM (TVD)	INTERVAL (Top/Bot - MD)	SIZE	NO. HOLES	PERFORATION STATUS	
(A) Dakota Sand	6,168	6,270	5,793	5,890		.31"	18	Open <input checked="" type="checkbox"/>	Squeezed <input type="checkbox"/>
(B)								Open <input type="checkbox"/>	Squeezed <input type="checkbox"/>
(C)								Open <input type="checkbox"/>	Squeezed <input type="checkbox"/>
(D)								Open <input type="checkbox"/>	Squeezed <input type="checkbox"/>

27. PERFORATION RECORD

28. ACID, FRACTURE, TREATMENT, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND TYPE OF MATERIAL
6,168'-6,270'	Acidized with 1000 gallons 7-1/2% HCl
6,168'-6,270	Fract with 180,560# 20/40 sand, 2154 bbls gelled water

29. ENCLOSED ATTACHMENTS:

☐ ELECTRICAL/MECHANICAL LOGS ☐ GEOLOGIC REPORT ☐ DST REPORT ☒ DIRECTIONAL SURVEY
☐ SUNDRY NOTICE FOR PLUGGING AND CEMENT VERIFICATION ☐ CORE ANALYSIS ☐ OTHER:

30. WELL STATUS:

shut-in

RECEIVED

31. INITIAL PRODUCTION

INTERVAL A (As shown in item #26)

DATE FIRST PRODUCED: 10/12/2006		TEST DATE: 10/31/2006		HOURS TESTED: 5		TEST PRODUCTION RATES: →		OIL - BBL: 0		GAS - MCF: 18		WATER - BBL: 0		PROD. METHOD: flowing							
CHOKE SIZE: 24/64"		TBG. PRESS. 14		CSG. PRESS. 260		API GRAVITY		BTU - GAS		GAS/OIL RATIO		24 HR PRODUCTION RATES: →		OIL - BBL: 0		GAS - MCF: 89		WATER - BBL: 0		INTERVAL STATUS:	

INTERVAL B (As shown in item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU – GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	INTERVAL STATUS:

INTERVAL C (As shown in item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU – GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	INTERVAL STATUS:

INTERVAL D (As shown in item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →	OIL - BBL:	GAS - MCF:	WATER - BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU - GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL - BBL:	GAS - MCF:	WATER - BBL:	INTERVAL STATUS:

32. DISPOSITION OF GAS (Sold, Used for Fuel, Vented, Etc.)

vented

33. SUMMARY OF POROUS ZONES (Include Aquifers):

Show all important zones of porosity and contents thereof: Cored intervals and all drill-stem tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures and recoveries.

34. FORMATION (Log) MARKERS:

Formation	Top (MD)	Bottom (MD)	Descriptions, Contents, etc.	Name	Top (Measured Depth)
Dakota Sand	6,164	6,278	tight gas	Mesaverde Castlegate Mancos Dakota Silt Dakota Sand Morrison	0 2,303 2,621 6,035 6,133 6,278

35. ADDITIONAL REMARKS (Include plugging procedure)

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records.

NAME (PLEASE PRINT) James G. Routson

TITLE President

SIGNATURE

DATE

11/7/2006

This report must be submitted within 30 days of

- completing or plugging a new well
- drilling horizontal laterals from an existing well bore
- recompleting to a different producing formation

- reentering a previously plugged and abandoned well
- significantly deepening an existing well bore below the previous bottom-hole depth
- drilling hydrocarbon exploratory holes, such as core samples and stratigraphic tests

* ITEM 20: Show the number of completions if production is measured separately from two or more formations.

** ITEM 24: Cement Top - Show how reported top(s) of cement were determined (circulated (CIR), calculated (CAL), cement bond log (CBL), temperature survey (TS)).

Send to: Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

Phone: 801-538-5340

Fax: 801-359-3940

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 7

REPORT OF WATER ENCOUNTERED DURING DRILLING

Well name and number: BMG Federal No. 12

API number: 019-31391

Well Location: QQ NENW Section 8 Township 16S Range 26E County Grand

Well operator: Lone Mountain Production Company

Address: P. O. Box 80965

city Billings state MT zip 59108

Phone: (406) 245-5077

Drilling contractor: Union Drilling Inc.

Address: P. O. Drawer 40

city Buckhannon state WV zip 26201

Phone: (435) 828-8910

Water encountered (attach additional pages as needed):

DEPTH		VOLUME (FLOW RATE OR HEAD)	QUALITY (FRESH OR SALTY)
FROM	TO		
0	6,550	0	

Formation tops: (Top to Bottom)	1	<u>Dakota Silt</u>	2	<u>6,035'</u>	3	<u></u>
	4	<u>Dakota Sand</u>	5	<u>6,133'</u>	6	<u></u>
	7	<u>Morrison</u>	8	<u>6,278'</u>	9	<u></u>
	10	<u></u>	11	<u></u>	12	<u></u>

If an analysis has been made of the water encountered, please attach a copy of the report to this form.

I hereby certify that this report is true and complete to the best of my knowledge.

NAME (PLEASE PRINT) James G. Routson

TITLE President

SIGNATURE 

DATE 11/7/2006

Weatherford International

Survey Report

Company: Lone Mountain Production Field: Grand County, Utah Site: BMG Federal No. 12 Well: BMG Federal No. 12 Wellpath: 1				Date: 7/31/2006 Co-ordinate(NE) Reference: Well: BMG Federal No. 12, True North Vertical (TVD) Reference: SITE 7106.0 Section (VS) Reference: Well (0.00N,0.00E,101.86Azi) Survey Calculation Method: Minimum Curvature				Time: 14:41:46 Page: 1 Db: Sybase			
Field: Grand County, Utah											
Map System: US State Plane Coordinate System 1927 Geo Datum: NAD27 (Clarke 1866) Sys Datum: Mean Sea Level						Map Zone: Utah, Central Zone Coordinate System: Well Centre Geomagnetic Model: igrf2005					
Site: BMG Federal No. 12 Sec. 8, T16S, R26E, Grand County, Utah 2453 FVL & 1160 FNL											
Site Position: From: Geographic Position Uncertainty: 0.00 ft Ground Level: 7090.00 ft				Northing: 410295.38 ft Easting: 2686968.45 ft		Latitude: 39 26 3.000 N Longitude: 109 4 3.000 W North Reference: True Grid Convergence: 1.56 deg					
Well: BMG Federal No. 12											
Slot Name:											
Well Position: +N/-S 0.00 ft +E/-W 0.00 ft Position Uncertainty: 0.00 ft				Northing: 410295.38 ft Easting: 2686968.45 ft		Latitude: 39 26 3.000 N Longitude: 109 4 3.000 W					
Wellpath: 1											
Current Datum: SITE Magnetic Data: 7/6/2006 Field Strength: 52629 nT Vertical Section: Depth From (TVD) ft				Height: 7106.00 ft +N/-S ft		Drilled From: Surface Tie-on Depth: 0.00 ft Above System Datum: Mean Sea Level Declination: 11.43 deg Mag Dip Angle: 65.61 deg +E/-W ft Direction: deg					
0.00				0.00		0.00 101.86					
Survey: Survey #1											
Start Date: 7/31/2006											
Company: Weatherford International											
Engineer: Scott Wallace											
Tool: Tied-to: From Surface											
Survey: Survey #1											
MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	Tool/Comment	
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
300.00	0.48	203.68	300.00	-1.16	-0.51	-0.26	0.16	0.16	0.00	9 5/8"	
391.00	0.63	203.68	390.99	-1.97	-0.86	-0.44	0.16	0.16	0.00		
400.01	0.61	182.40	400.00	-2.06	-0.89	-0.44	2.55	-0.27	-236.18	KOP	
452.00	1.50	120.81	451.98	-2.68	-0.31	0.25	2.55	1.72	-118.47		
514.00	3.63	108.60	513.92	-3.73	2.25	2.96	3.53	3.44	-19.69		
575.00	5.19	101.06	574.74	-4.87	6.78	7.64	2.72	2.56	-12.36		
637.00	6.56	97.43	636.41	-5.87	13.05	13.98	2.29	2.21	-5.85		
696.00	8.19	101.06	694.92	-7.11	20.51	21.54	2.87	2.76	6.15		
760.00	9.75	101.68	758.13	-9.08	30.30	31.52	2.44	2.44	0.97		
821.00	11.13	103.68	818.12	-11.52	41.08	42.57	2.34	2.26	3.28		
882.00	12.44	103.81	877.84	-14.48	53.18	55.02	2.15	2.15	0.21		
945.00	13.94	104.43	939.17	-17.99	67.12	69.38	2.39	2.38	0.98		
1070.00	16.38	103.81	1059.81	-25.95	98.82	102.04	1.96	1.95	-0.50		
1131.00	17.63	101.93	1118.15	-29.92	116.21	119.88	2.24	2.05	-3.08		
1191.00	18.50	101.56	1175.19	-33.70	134.43	138.48	1.46	1.45	-0.62		
1254.00	19.94	101.81	1234.67	-37.90	154.73	159.22	2.29	2.29	0.40		
1316.00	21.19	101.06	1292.72	-42.22	176.08	181.00	2.06	2.02	-1.21		
1379.00	21.75	100.43	1351.35	-46.51	198.74	204.05	0.96	0.89	-1.00		
1472.00	22.31	99.18	1437.56	-52.45	233.11	238.91	0.79	0.60	-1.34		
1508.45	22.27	99.03	1471.29	-54.64	246.76	252.72	0.18	-0.10	-0.40	End Build	
1534.00	22.25	98.93	1494.93	-56.15	256.32	262.39	0.18	-0.10	-0.40		
1626.00	22.13	101.68	1580.12	-62.36	290.50	297.11	1.14	-0.13	2.99		
1721.00	23.63	105.68	1667.65	-71.13	326.36	334.01	2.27	1.58	4.21		

Weatherford International

Survey Report

Company: Lone Mountain Production	Date: 7/31/2006	Time: 14:41:46	Page: 2
Field: Grand County, Utah	Co-ordinate(NE) Reference:	Well: BMG Federal No. 12, True North	
Site: BMG Federal No. 12	Vertical (TVD) Reference:	SITE 7106.0	
Well: BMG Federal No. 12	Section (VS) Reference:	Well (0.00N,0.00E,101.86Azi)	
Wellpath: 1	Survey Calculation Method:	Minimum Curvature	Db: Sybase

Survey: Survey #1

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	Tool/Comment
1783.00	23.93	106.68	1724.39	-78.10	350.37	358.94	0.81	0.48	1.61	
1878.00	23.88	105.56	1811.24	-88.79	387.35	397.33	0.48	-0.05	-1.18	
1971.00	23.06	104.43	1896.54	-98.37	423.12	434.31	1.01	-0.88	-1.22	
2034.00	21.69	105.43	1954.80	-104.55	446.29	458.25	2.26	-2.17	1.59	
2097.00	23.00	101.43	2013.07	-110.08	469.58	482.18	3.18	2.08	-6.35	
2160.00	22.44	100.43	2071.18	-114.70	493.47	506.51	1.08	-0.89	-1.59	
2222.00	22.25	100.18	2128.53	-118.92	516.66	530.07	0.34	-0.31	-0.40	
2309.97	22.07	99.36	2210.00	-124.55	549.36	563.23	0.41	-0.20	-0.94	Castlegate
2315.00	22.06	99.31	2214.66	-124.85	551.23	565.12	0.41	-0.20	-0.94	
2353.12	21.96	100.06	2250.00	-127.26	565.31	579.39	0.79	-0.27	1.98	Mancos
2409.00	21.81	101.18	2301.86	-131.10	585.78	600.22	0.79	-0.26	2.00	
2503.00	21.81	101.96	2389.13	-138.10	619.99	635.14	0.31	0.00	0.83	
2597.00	21.31	101.06	2476.55	-145.00	653.84	669.68	0.64	-0.53	-0.96	
2689.00	21.19	101.93	2562.30	-151.64	686.51	703.02	0.37	-0.13	0.95	
2783.00	21.38	102.43	2649.88	-158.84	719.87	737.14	0.28	0.20	0.53	
2876.00	20.94	102.93	2736.61	-166.21	752.62	770.71	0.51	-0.47	0.54	
2971.00	21.13	103.56	2825.28	-174.02	785.81	804.80	0.31	0.20	0.66	
3063.00	21.88	101.81	2910.88	-181.42	818.71	838.52	1.07	0.82	-1.90	
3158.00	22.56	102.31	2998.82	-188.92	853.84	874.44	0.74	0.72	0.53	
3219.00	21.63	102.31	3055.34	-193.82	876.26	897.39	1.52	-1.52	0.00	
3312.00	21.56	102.31	3141.81	-201.11	909.70	931.61	0.08	-0.08	0.00	
3406.00	20.13	100.93	3229.66	-207.86	942.46	965.06	1.61	-1.52	-1.47	
3468.00	19.94	100.68	3287.91	-211.85	963.32	986.30	0.34	-0.31	-0.40	
3527.00	19.94	102.31	3343.37	-215.86	983.04	1006.42	0.94	0.00	2.76	
3592.00	20.06	103.18	3404.45	-220.76	1004.72	1028.64	0.49	0.18	1.34	
3652.00	20.88	102.56	3460.66	-225.43	1025.18	1049.62	1.41	1.37	-1.03	
3716.00	22.06	102.81	3520.22	-230.58	1048.03	1073.04	1.85	1.84	0.39	
3747.00	21.94	103.18	3548.96	-233.19	1059.34	1084.66	0.59	-0.39	1.19	
3810.00	22.44	101.43	3607.30	-238.25	1082.59	1108.45	1.32	0.79	-2.78	
3871.00	22.44	101.06	3663.68	-242.79	1105.43	1131.73	0.23	0.00	-0.61	
3933.00	22.38	101.31	3721.00	-247.38	1128.61	1155.36	0.18	-0.10	0.40	
4027.00	23.13	100.18	3807.68	-254.15	1164.33	1191.71	0.92	0.80	-1.20	
4089.00	23.31	99.93	3864.66	-258.42	1188.40	1216.15	0.33	0.29	-0.40	
4120.00	23.50	100.56	3893.11	-260.61	1200.52	1228.45	1.01	0.61	2.03	
4183.00	22.50	101.43	3951.10	-265.30	1224.69	1253.07	1.68	-1.59	1.38	
4246.00	22.75	102.18	4009.25	-270.26	1248.41	1277.30	0.61	0.40	1.19	
4309.00	22.19	101.18	4067.47	-275.14	1271.99	1301.38	1.08	-0.89	-1.59	
4402.00	21.88	99.93	4153.67	-281.53	1306.28	1336.26	0.60	-0.33	-1.34	
4464.00	21.38	100.56	4211.31	-285.59	1328.77	1359.10	0.89	-0.81	1.02	
4527.00	22.31	103.06	4269.79	-290.40	1351.71	1382.54	2.09	1.48	3.97	
4589.00	22.25	102.56	4327.16	-295.61	1374.63	1406.04	0.32	-0.10	-0.81	
4652.00	21.75	100.00	4385.57	-300.23	1397.77	1429.64	1.72	-0.79	-4.06	
4713.00	21.94	100.18	4442.19	-304.21	1420.12	1452.32	0.33	0.31	0.30	
4776.00	21.94	100.31	4500.63	-308.40	1443.28	1475.85	0.08	0.00	0.21	
4839.00	21.75	100.81	4559.10	-312.69	1466.33	1499.29	0.42	-0.30	0.79	
4901.00	21.75	101.18	4616.69	-317.07	1488.88	1522.26	0.22	0.00	0.60	
4995.00	22.50	100.06	4703.77	-323.59	1523.68	1557.65	0.92	0.80	-1.19	
5057.00	22.50	98.93	4761.05	-327.51	1547.08	1581.36	0.70	0.00	-1.82	
5120.00	22.25	99.81	4819.31	-331.41	1570.74	1605.32	0.66	-0.40	1.40	
5180.00	22.38	100.69	4874.81	-335.46	1593.16	1628.09	0.60	0.22	1.47	
5274.00	22.50	101.31	4961.69	-342.31	1628.38	1663.97	0.28	0.13	0.66	
5336.00	23.13	102.18	5018.84	-347.21	1651.91	1688.01	1.15	1.02	1.40	
5366.00	22.75	102.43	5046.47	-349.70	1663.34	1699.70	1.31	-1.27	0.83	

Weatherford International

Survey Report

Company: Lone Mountain Production	Date: 7/31/2006	Time: 14:41:46	Page: 3
Field: Grand County, Utah	Co-ordinate(NE) Reference:	Well: BMG Federal No. 12, True North	
Site: BMG Federal No. 12	Vertical (TVD) Reference:	SITE 7106.0	
Well: BMG Federal No. 12	Section (VS) Reference:	Well (0.00N,0.00E,101.86Azi)	
Wellpath: 1	Survey Calculation Method:	Minimum Curvature	Db: Sybase

Survey: Survey #1

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	Tool/Comment
5397.00	22.31	102.31	5075.11	-352.24	1674.94	1711.58	1.43	-1.42	-0.39	
5460.00	22.31	101.68	5133.39	-357.21	1698.33	1735.49	0.38	0.00	-1.00	
5522.00	22.88	102.43	5190.63	-362.19	1721.63	1759.31	1.03	0.92	1.21	
5582.00	23.19	102.81	5245.85	-367.32	1744.54	1782.79	0.57	0.52	0.63	
5675.00	22.13	101.93	5331.67	-375.00	1779.53	1818.62	1.20	-1.14	-0.95	
5737.00	21.88	102.06	5389.15	-379.83	1802.26	1841.85	0.41	-0.40	0.21	
5800.00	21.75	101.31	5447.64	-384.57	1825.18	1865.26	0.49	-0.21	-1.19	
5895.00	20.56	100.18	5536.23	-390.97	1858.86	1899.53	1.32	-1.25	-1.19	
5957.00	20.19	99.81	5594.36	-394.72	1880.12	1921.11	0.63	-0.60	-0.60	
6019.00	19.88	99.18	5652.60	-398.22	1901.07	1942.33	0.61	-0.50	-1.02	
6085.19	19.12	98.75	5715.00	-401.67	1922.89	1964.40	1.17	-1.15	-0.66	Dakota Silt
6112.00	18.81	98.56	5740.35	-402.98	1931.51	1973.09	1.17	-1.15	-0.69	
6162.29	18.51	98.16	5788.00	-405.32	1947.43	1989.16	0.65	-0.60	-0.79	Dakota Sand
6206.00	18.25	97.81	5829.48	-407.23	1961.07	2002.91	0.65	-0.59	-0.81	
6268.00	18.31	97.68	5888.35	-409.85	1980.34	2022.30	0.12	0.10	-0.21	
6342.39	18.17	97.88	5959.00	-413.01	2003.41	2045.53	0.20	-0.19	0.27	Morrison
6500.00	17.88	98.31	6108.88	-419.87	2051.70	2094.20	0.20	-0.19	0.27	
6550.00	17.79	98.45	6156.47	-422.10	2066.85	2109.48	0.20	-0.18	0.28	Projected

Targets

Name	Description Dip.	Dir.	TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	<--- Latitude ---> Deg Min Sec		<--- Longitude ---> Deg Min Sec	
No. 12 PBHL -Circle (Radius: 100)			6215.00	-440.00	2095.00	409912.51	2689074.64	39	25 58.650 N	109	3 36.298 W

Casing Points

MD ft	TVD ft	Diameter in	Hole Size in	Name
300.00	300.00	9.625	12.250	9 5/8"

Formations

MD ft	TVD ft	Formations	Lithology	Dip Angle deg	Dip Direction deg
2309.97	2210.00	Castlegate		0.00	0.00
2353.12	2250.00	Mancos		0.00	0.00
6085.19	5715.00	Dakota Silt		0.00	0.00
6162.29	5788.00	Dakota Sand		0.00	0.00
6342.39	5959.00	Morrison		0.00	0.00

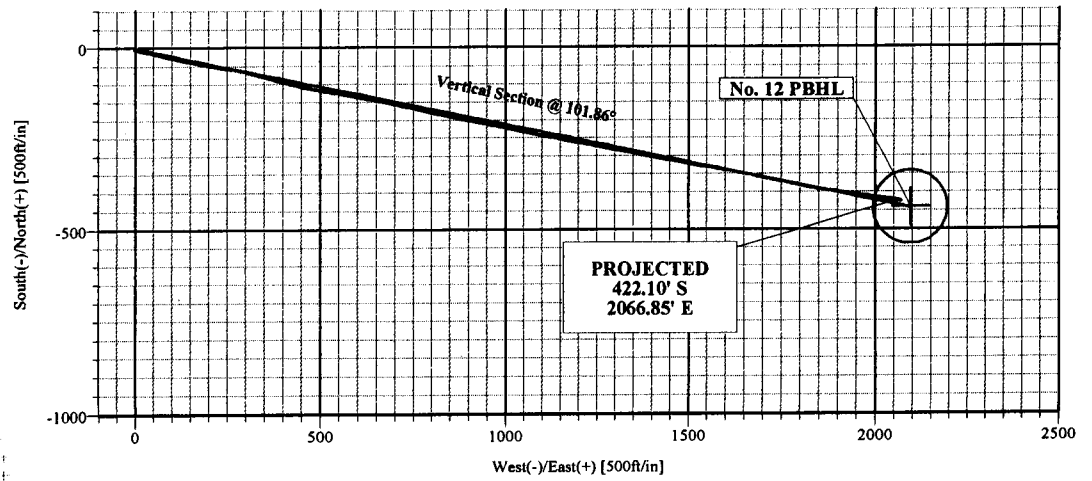
Annotation

MD ft	TVD ft	
400.01	400.00	SHL (1160 FNL & 2453 FWL)
1508.45	1471.29	KOP
		End Build
		TD
		PBHL (1600 FNL & 700 FEL)

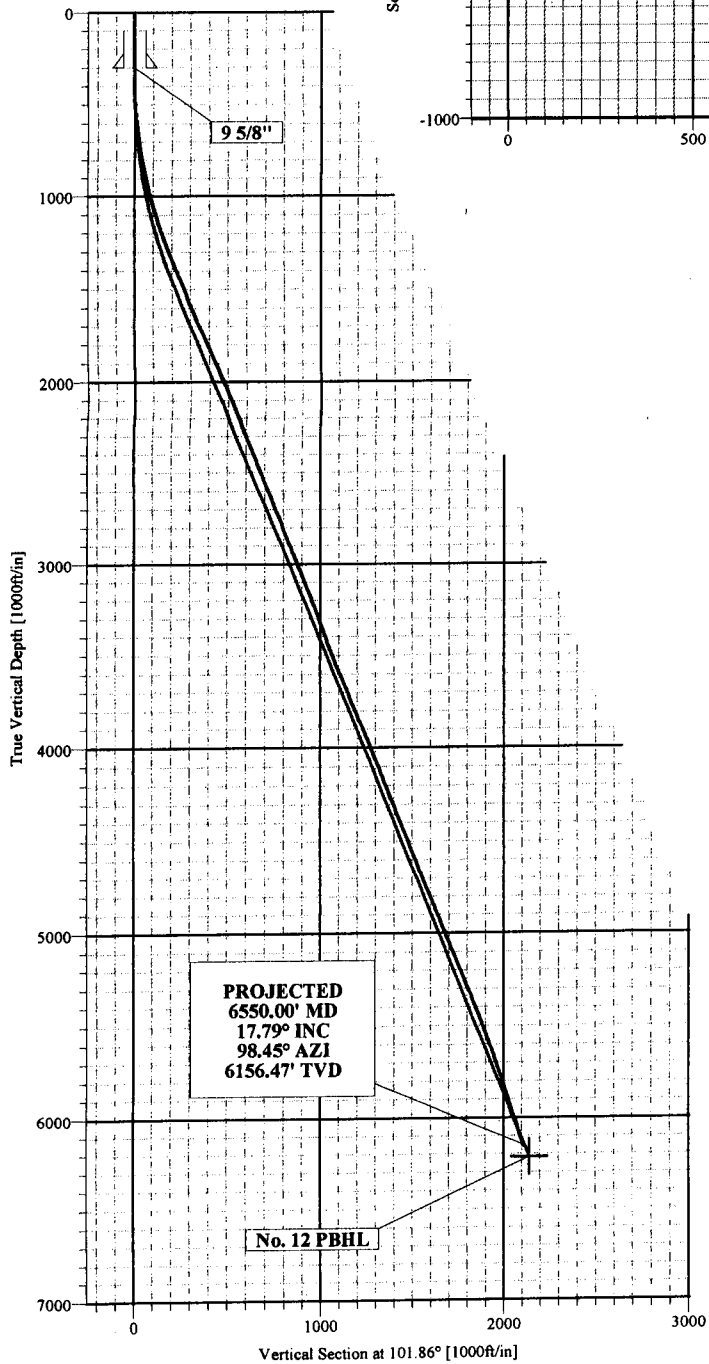
LONE MOUNTAIN
BMG Federal No. 12
Grand County, Utah
July 31, 2006



Plan View



Section View



Green Line: Plan
Blue Line: Actual

LONE MOUNTAIN PRODUCTION COMPANY

Mailing Address:
P.O. Box 80965
Billings, MT 59108-0965

(406) 245-5077
FAX 248-6321

Shipping Address:
2590 Holman Avenue, Suite B-1
Billings, MT 59102

November 8, 2006

State of Utah
Division of Oil, Gas & Mining
1594 W. Temple, Suite 1210
P. O. Box 145801
Salt Lake City, Utah 84114-5801

RE: WELL COMPLETION REPORT
WATER ENCOUNTERED REPORT
BMG FEDERAL NO. 12
GRAND COUNTY, UTAH

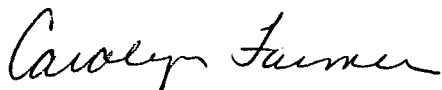
Ladies and Gentlemen:

Enclosed is one Well Completion Report (Form 8), including a copy of the directional survey, and one Water Encountered Report (Form 7) for the BMG Federal No. 12 well. The well is currently shut-in, waiting on the pipeline.

If you have any questions or need further information please contact our office at (406) 245-5077 or Joe Dyk at (970) 858-7546 (office) or (970) 250-9770 (cell).

Sincerely,

LONE MOUNTAIN PRODUCTION COMPANY



Carolyn Farmer
Office Manager

enclosure

cc: Joe Dyk

RECEIVED

NOV 14 2006

DIV. OF OIL, GAS & MINING